

CORRECTED FISCAL NOTE

SB 896 - HB 1343

May 12, 2003

SUMMARY OF BILL: Requires the Comptroller's annual actuarial study of TennCare to include an analysis of Tennessee provider reimbursement compared to other similar Medicaid programs. Requires that per member per month rates be based on actual provider costs.

ESTIMATED FISCAL IMPACT:

On April 14, 2003 we issued a fiscal note on this bill that indicated:

Increase State Expenditures - Exceeds \$1,000,000

Other Fiscal Impact -Increase Federal Expenditures - Exceeds \$2,000,000

This estimate was based on the assumption that provisions of the bill would require the TennCare program to increase rates based on actuarial calculations. While the bill requires that actual provider cost be included in actuarial calculations, the bill does not require the TennCare program to establish rates at the levels contained in such study, therefore the estimated fiscal impact is as follows:

Other Fiscal Impact - Impact would depend on whether rates calculated in the actuarial study using the methodology required by the bill are higher than rates that would have been calculated in the absence of the bill and whether TennCare uses the actuarial study to set rates for TennCare. To the extent that TennCare adopts such rates the increase in state expenditures is estimated to be significant.

Assumes that the bill requires the TennCare Actuarial Study to contain specified components, which may impact rate calculations. However, the bill does not require funding at such rates. According to the 2003 TennCare Actuarial Study prepared for the Comptroller by PriceWaterhouseCoopers (page ES-II), the analysis of per capita costs was based upon several concepts including that payments should be reasonably aligned with payments per unit of service in Medicaid services for nearby states.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



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James A. Davenport, Executive Director

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